

CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS★0201 RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

020101. Responsibility for Audited Financial Statements. Primary responsibility for the content and submission of the audited financial statements rests with the head of the reporting entity for which the statements are prepared. The actual preparation of the financial statements is the joint responsibility both of the Department of Defense (DoD) accounting activity maintaining the official departmental accounting records and the DoD Component for which those official accounting records are maintained. It is important to recognize that, while the accounting organization is responsible for assembling the principal statements, much of the data needed to prepare the principal statements originates in nonfinancial systems. Entity management is responsible for ensuring that the data originating outside of the official accounting systems is provided to the accounting organization in a timely manner, that it is complete, and that there are adequate internal controls and audit trails to ensure the data is accurate. The officials responsible for the content and submission of audited financial statements are identified in Table 2-1, below.

Officials Responsible for Audited Financial Statements

Reporting Entities	Responsible DoD Official
Department of Defense	Chief Financial Officer (CFO), DoD
Department of the Army	The Secretary of the Army
Department of the Navy	The Secretary of the Navy
Department of the Air Force	The Secretary of the Air Force
Army Working Capital Fund (WCF)	The Secretary of the Army
Navy (WCF)	The Secretary of the Navy
Air Force (WCF)	The Secretary of the Air Force
Department of Defense Military Retirement Fund	Under Secretary of Defense (Personnel and Readiness)
U.S. Army Corps of Engineers (USACE) Civil Works	The Secretary of the Army

Table 2-1

★ 020102. Responsibility for Preparation of the Financial Statements. The primary responsibility for the financial statements rests with the reporting entity management. Responsibility for preparation of the Principal Statements and Notes, however, is shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Table 2-2 identifies the office that is primarily responsible for preparation of each section of the financial statements.

Official Responsible for Sections of the Audited Financial Statements

Responsibility for Preparation and Submission of Audited Financial Statements	CFO DOD	DFAS/USACE Accounting Activity	Reporting Entity Management
Overview of the Reporting Entity			X
Principal Statements			
Balance Sheet		X	
Statement of Net Costs		X	
Statement of Changes in Net Position		X	
Statement of Budgetary Resources		X	
Statement of Financing		X	
Statement of Custodial Activity		X	
Notes to the Principal Statements			
Note 1 to the Principal Statements		X	
Remaining Notes to the Principal Statements			X ¹
Supporting Consolidating/Combining Statements		X	
Required Supplementary Stewardship Information (RSSI)			X ^{1and 2}
Required Supplementary Information (RSI):			
Disaggregated Statement of Budgetary Resources		X	
Deferred Maintenance RSI			X
Segment Information		X	
Intragovernmental Amounts (transactions between federal entities)		X	
Other Accompanying Information:			
Other Supporting Statements		X	
Additional Performance Measures and Other Management Information			X
Submission of Entity-level Unaudited Financial Statements concurrently to the Inspector General, DoD and to the Deputy Chief Financial Officer			X
Submission of Agency-wide Unaudited Financial Statements to the Inspector General, DoD for Audit	X		
Submission of Entity-level Audited Financial Statements to the Deputy Chief Financial Officer			X
Submission of Audited Financial Statements to the Office of Management and Budget (OMB)	X		

¹Primary responsibility rests with the reporting entity. However, the Defense Finance and Accounting Service (DFAS) and the U. S. Army Corp of Engineers, Finance Center (USACE FC) primarily prepares accounting type schedules in the notes and the reporting entity is primarily responsible for preparation of the narrative explanation statements to the notes. When comparative statements are required, the reporting entity shall explain in the notes significant year-to-year changes in amounts reported on lines of the Principal Statements amounts.

²The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) has responsibility for the RSSI reporting requirements, review of reported RSSI in DoD Component statements, and consolidation of the RSSI section for the DoD Agency-wide financial statement.

Table 2-2

★ 020103. Responsibility for Other Defense Organization Subentities. In order for the Department to prepare the DoD Agency-wide audited financial statements, supporting financial statements shall be prepared for the remaining DoD organizations that are not required to submit stand alone audited financial statements. The assigned accounting activities shall prepare the required supporting statements for the subentities identified in Table 2-3 and submit the statements to the responsible official designated in Table 2-3. The responsible official shall be responsible for providing all necessary data that originates in nonfinancial processes and systems (such as inventory and property data), reviewing combining statements and providing feedback to the DFAS for consolidation with other combining statements.

**Office of the Secretary of Defense Principal Staff Assistants
and Other Defense Organizations Subentities**

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUBENTITIES	FUND TYPE
Under Secretary of Defense for Acquisition, Technology and Logistics	Ballistic Missile Defense Organization	General Funds (GF)
	Defense Advanced Research Projects Agency	GF
	Defense Acquisition University	GF
	Defense Logistics Agency	GF and WCF
	Defense Threat Reduction Agency	GF
	Defense Contract Management Agency	GF
	Federal Energy Management Program	GF
	Joint Logistics Systems Command	GF and WCF
	National Defense Stockpile Transaction Fund	GF
	★Technical Research Institute	GF
Office of Economic Adjustment	GF	
Under Secretary of Defense (Personnel and Readiness)	Defense Commissary Agency	GF and WCF
	Defense Health Program	GF
	Defense Medical Program Activity	GF
	DoD Education Activity	GF
	DoD Education Benefits Fund	GF
	★Tricare Management Activity	GF
	Voluntary Separation Incentive Trust Fund	GF
	★DoD Human Resources Activity	GF
Ready Reserve Mobilization Income Insurance Fund	Revolving Fund	
Under Secretary of Defense (Comptroller) (USD(C))	Defense Contract Audit Agency	GF
	DFAS	GF and WCF
	★DoD Component Level Accounts	GF
	★Management Systems Support Office	WCF
Under Secretary of Defense (Policy)	National Security Education Trust Fund	GF
	Defense Security Cooperation Agency	GF
	Defense Prisoner of War/Missing Persons Office	GF
★ General Counsel, DoD	Defense Legal Services Agency	GF

Table 2-3

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUBENTITIES	FUND TYPE
Assistant Secretary of Defense (Command, Control, Communications and Intelligence) (C³I)	Defense Information Systems Agency	GF and WCF
	Defense Intelligence Agency	GF
	Corporate Information Management	WCF
	Defense Security Service	GF and WCF
	National Imagery and Mapping Agency	GF
Director, National Security Agency	National Security Agency	GF
Inspector General, Department of Defense	Office of the Inspector General (OIG, DoD)	GF
Director, Joint Staff	Joint Chiefs of Staff	GF
★Unified Combatant Command	U.S. Special Operations Command	GF
Director, Washington Headquarters Services	Court of Appeals of the Armed Forces	GF
	American Forces Information Service	GF
	Office of the Secretary of Defense (OSD)	GF
	Pentagon Reservation Maintenance Revolving Fund	GF
	Washington Headquarters Services (WHS)	GF
	Building Maintenance Fund, Defense	GF
	Other “97” funds provided to WHS by OSD	GF
	All Other (Prior Year Residual) “97” Funds	GF
Assistant Secretary of the Army (Financial Management and Comptroller)	Emergency Response Fund, Defense	GF
	Homeowners Assistance Fund, Defense	GF
	Other “97” funds provided to the Army by OSD	GF
Assistant Secretary of the Navy (Financial Management and Comptroller)	Other “97” funds provided to the Navy by OSD	GF
Assistant Secretary of the Air Force (Financial Management and Comptroller)	Other “97” funds provided to the Air Force by OSD	GF

Table 2-3 (Continued)

020104. Reporting of Foreign Military Sales (FMS) Activity in the DoD Financial Statements. The Defense Security Cooperation Agency administers the FMS programs on behalf of the Executive Office of the President. The OMB, in coordination with the General Accounting Office (GAO), has approved the following provisions regarding the specific information on the financial activity of FMS programs, that is to be included in the DoD financial statements.

A. Amounts for FMS procurement by contract shall not be reported in the DoD Agency-wide Statement of Net Costs but shall be disclosed in a footnote. Management’s estimate of the amount of FMS program procurements by contractors during the period shall be included only in Note 19 of the DoD Agency-wide consolidated financial statements.

B. A Statement of Custodial Activity shall be prepared for cash receipts and disbursements of the FMS Trust Fund and included in the DoD Agency-wide consolidated financial statements. Guidance concerning the preparation of the Statement of Custodial Activity is contained in Chapter 9 of this volume.

C. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis shall continue to be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements. Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this volume.

D. Revenue and expense amounts pertaining to the FMS administrative expenses shall be included in the DoD Agency-wide consolidated financial statements as a portion of “Other Defense Organizations, General Funds.” Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this volume.

E. Principal statements for the following accounts are not required. Information will be provided, however, in the “Other Accompanying Information” section of the DoD Agency-wide report, on the allocations and authorities received from the Executive Office of the President for appropriated funds (i.e., 11*1081, 11*1082, 1151084, and 11X1088) and revolving funds (11X4116, 11X4121, 11X4122 and 11X4174). See Chapter 3, section 0303 of this volume.

★0202 REPORTING SCHEDULE

020201. Audited Financial Statements. The OMB requires agencies to submit audited financial statements by March 1, following the end of the fiscal year for each of the reporting entities identified in the current OMB Bulletin titled “Audits of Agency Financial Statements.” The DoD reporting entities that must meet this requirement are those identified in Chapter 1, paragraph 010601, of this volume.

★ 020202. Joint Reviews of Financial Statements and Notes. Joint reviews on the initial financial statements and notes are critical to determine in a timely and efficient manner the completeness of financial information from both the accounting and Component functional organizations. Separate joint reviews shall be scheduled for the following ten funds:

- A. Department of the Army General Funds (GF)
- B. Department of the Navy GF
- C. Department of the Air Force GF
- D. Army WCF
- E. Navy WCF
- F. Air Force WCF
- G. Department of Defense Military Retirement Fund
- H. U.S. Army Corps of Engineers (Civil Works)
- I. Other Defense Organizations GF
- J. Other Defense Organizations WCF

★ 020203. Key Financial Statements Preparation Due Dates. The development and publication of the audited financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Table 2-4

provides a list of the key milestones in the development of the audited financial statements. The schedule contained in Table 2-4 applies to all reporting entities identified in paragraph 010601 and to all Other Defense Organizations subentities identified in Table 2-3. The dates identified in Table 2-4 represent the month and day immediately following the end of the fiscal year for which the financial statements are being prepared. If an identified date falls on a Saturday, Sunday, or holiday, then the due date becomes the last workday preceding the weekend or holiday.

★Key Financial Statements Preparation Due Dates

Required Action	Responsible Office	FY 2000 DATES	
		Start	End
Identify trading partners required to comply with Chapter 13 of this volume	DFAS and the USACE Finance Center (FC)	08/01	08/31
Request legal and management representation letters from reporting entity management	Auditors		10/02
Provide auditors preliminary year-end budgetary reports and budgetary trial balances	DFAS and the USACE-FC		10/31
DoD provide seller-side account balances to DoD and other federal agency buyers	DFAS and the USACE-FC		10/31
DFAS and USACE-FC receive seller-side account balances from other DoD and other federal agencies	Other Federal Agencies and DoD		10/31
Provide data from feeder systems and manual data calls (required to complete statements and notes) to the DFAS or USACE-FC	DoD Components	09/30	11/03
Complete adjustments of DoD buyer-side data to reflect seller-side intragovernmental balances	DFAS and the USACE-FC		11/03
Provide initial RSSI and the Deferred Maintenance RSI to the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD(AT&L)) for Stewardship Assets, Stewardship Investments and Deferred Maintenance including all schedules/displays with narrative statements	DoD Components		11/08

Table 2-4

Required Action	Responsible Office	FY 2000 DATES	
		Start	End
Provide draft Statements and Notes to DoD Components (Informal copy of the statements; notes; and the trial balances of proprietary and budgetary accounts to OIG, DoD)	DFAS and the USACE-FC		11/17
Provide draft DoD Agency-wide Statements and Notes to the Office of the Deputy Chief Financial Officer (ODCFO)	DFAS		11/22
Jointly review Statements and Notes	DFAS, DoD Components	11/27	12/05
Provide revised Statements and Notes to DoD Components	DFAS and the USACE-FC		12/08
Provide draft RSSI and Deferred Maintenance RSI schedules/displays with narrative statements to the OUSD(AT&L)	DoD Components		12/08
Provide DoD Agency-wide Statements and Notes to the ODCFO	DFAS		12/12
Provide DoD Agency-wide RSSI and Deferred Maintenance RSI schedules/displays with narrative statements to the ODCFO	OUSD(AT&L)		12/15
Provide legal representation interim response letter, with associated summaries, to auditors and to General Counsel (GC), DoD, (Attention: Office of the Deputy General Counsel (Fiscal) (ODGC(F)))	DoD Components	12/01	12/15
Provide stand alone entity complete unaudited annual financial reports concurrently to: the OIG, DoD, and to the ODCFO	DoD Components		12/21
Receive legal representation interim response letter from GC, DoD, prepare associated summaries, for the DoD Agency-wide financial statement, and provide to the OMB; Department of the Treasury; and General Accounting Office (GAO)	Under Secretary of Defense (Comptroller) (USD(C))	No earlier than 12/15	No later than 12/22
Provide the complete unaudited DoD Agency-wide annual financial report to the OIG, DoD	DCFO		12/22
Provide final audit adjustments to DoD Components and the DFAS and to the USACE-FC as applicable	Auditors		01/15

Table 2-4 (Continued)

Required Action	Responsible Office	FY 2000 DATES	
		Start	End
Provide the complete final RSSI and Deferred Maintenance RSI to the OUSD(AT&L) for Stewardship Assets, Stewardship Investments and Deferred Maintenance	DoD Components		01/15
Provide audit-adjusted Component Statements and Notes to the DoD Components	DFAS and USACE-FC		01/22
Provide audit-adjusted DoD Agency-wide Statements and Notes to the DCFO	DFAS		01/26
Provide final, complete DoD Agency-wide RSSI and Deferred Maintenance RSI to the DCFO and to DFAS (for submission to Treasury for the government-wide financial report)	OUSD(AT&L)		01/26
Submit Adjusted Trials Balances and notes for FACTS I reporting to Treasury.	DFAS		02/01
Provide final, complete Financial Statements and Notes to the DCFO and OIG, DoD	DoD Components		02/02
Provide final, complete DoD Agency-wide Financial Statements to the OIG, DoD	DCFO		02/05
Provide management representation letter to auditors	DoD Components		02/07
Provide updated legal representation letter, with associated summaries, to auditors and to GC, DoD, (Attention: ODGC(F))	DoD Components		02/07
Provide audit opinion letter on reporting entity annual financial statements to the OIG, DoD	Component Audit Agency/Service or Certified Public Accounting firm		02/09
Provide management representation letter on the DoD Agency-wide to the OIG, DoD; OMB; Department of the Treasury; and the GAO	USD(C)		02/15
Provide updated legal representation response letter on the DoD Agency-wide financial statement to the OIG, DoD; and USD(C) (Attention: ODCFO(AP))	GC, DoD		02/15

Table 2-4 (Continued)

Required Action	Responsible Office	FY 2000 DATES	
		Start	End
Provide updated legal representation response letter on the DoD Agency-wide financial statement to the OMB; Department of the Treasury; and the GAO	USD(C)		02/15
Provide audit opinion letter on the DoD Agency-wide reporting entity annual financial statements to the CFO	OIG, DoD		02/15
Provide printed and electronic copies of audited Financial Statements to the DCFO	DoD Components		02/23
Provide audited Financial Statements to the OMB	CFO		03/01
Post audited Financial Statements on the USD(C) web site	ODCFO		03/02

Table 2-4 (Continued)

★0203 MANAGEMENT REPRESENTATION LETTERS

Auditors shall require the responsible senior manager to prepare and submit a management representation letter, for each reporting entity audited, prior to the conclusion of an audit. During the audit, the management function makes many representations to the auditor, both oral and written, in response to specific inquiries and through the financial statements. In the management representation letter, the senior responsible manager confirms the representations explicitly or implicitly given to the auditor, indicates and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Representations by management generally relate to: (1) the financial statements, (2) completeness of the information, (3) recognition, measurement, and disclosure, and (4) subsequent events. Specifically, the management function shall represent that the financial statements do, or do not, present fairly in accordance with federal generally accepted accounting principles and the OMB form and content guidance the financial status of the reporting entity. The OMB draft technical amendments to Bulletin 99-08 "Audits of Agency Financial Statements" provides an illustrative management representation letter. Management representation letters are due to the office performing the entity's audit by due date specified in Table 2-4, above.

020301. Signature levels for management representation letters are indicated below:

A. The Secretary or Under Secretary of the Military Department concerned shall sign a management representation letter in support of the audited financial statements for a Military Department's general funds and WCF.

B. The Director or Deputy Director of the Defense Agency concerned shall sign a management representation letter in support of the audited financial statements for a Defense Agency.

C. The fund manager of the trust or revolving fund concerned shall sign a management representation letter in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

D. The USD(C) shall sign a management representation letter for the DoD Agency-wide financial statements.

E. The Director or Principal Deputy Director of the DFAS, or the Director of the applicable DFAS Center, shall provide a certification to the USD(C), respective Military Department Secretary, Defense Agency Director or trust fund manager as supporting documentation for that component's management representation letter. The Director, DFAS, however, shall not sign, or cosign, management representation letters (except for the management representation letter for the DFAS's own audited financial statements). When an office other than the DFAS provides accounting support, that accounting office shall provide the same type of certification. A sample of the certification to be provided by the DFAS or other accounting office is provided in Volume 6A, Chapter 2, paragraph 020210.

020302. Auditor requests for management representation letters below levels cited in paragraph 020301, above, should be referred to the ODCFO for resolution.

★ 020303. Generally, the date of a management representation letter shall be the date the auditor issues the audit report on the entity's financial statements. Coordinating the two dates is essential. Management shall not provide auditors with presigned, undated letters or with predated letters. If auditors need an advanced copy of the intended management letter, auditors will include that requirement when submitting the initial request for the management representation letter. Active cooperation and interaction between auditors and management is expected so that the management representation letter reaches the auditors on the due date with no surprises included.

★0204 LEGAL REPRESENTATION LETTERS

Interim and final legal representation letters, along with associated summaries, are the auditors' primary means of corroborating the information furnished by management concerning litigation, claims, and assessments. Legal representation letters are required for each of the reporting entities identified in paragraph 010601 of this volume. Individual legal letters and summaries also shall be submitted for any entity listed in paragraph 010605 of this volume that is expected to get a favorable audit opinion. Legal representation letters are intended to identify pending or threatened litigation and unasserted claims or assessments having an individual materiality threshold of \$100 million or more.

★ 020401. Upon receipt of the audit agency request, it is the responsibility of the senior management official of each reporting entity to request interim and final legal representation letter from those lawyers with whom management consulted during the year. Requests for legal representation letters will be forwarded to the GC of the applicable Military Service. Requests for legal representation letters for Defense accounts shall be forwarded to the GC, DoD. Legal representation letters shall be provided to GC, DoD, Attention: Deputy General Counsel (Fiscal) and to the office performing the audit--the IG, DoD or the Military Service audit agency--of the entity's financial statements by the dates specified in the schedule provided in Table 2-4 of this volume.

★ 020402. The official responsible for a reporting entity's financial statements or that official's designee shall prepare, and submit to the auditors for their review, a summary of the General Counsel's legal representation letter. The required formats are provided at Figure 2-1 as well as being available in the follow-on guidance to OMB Bulletin 99-08, the appendix on "Guidance Regarding Legal Letters." To allow the cognizant auditors to finish their audits in a timely manner, the due dates for the legal letters and the associated summaries generally will be earlier than the December 15 and March 1 dates set forth in the OMB Bulletin, respectively, for the interim and updated legal response. The due dates are reflected in Table 2-4. Should an audit agency request for legal representation letters specify different due dates, refer the matter to the ODCFO for resolution. The required summaries of the legal letters shall be submitted to the cognizant audit agency for the reporting entity, to the entity's supporting accounting center, and to the ODCFO. Submission to the ODCFO is necessary so this office can compile the consolidated summary of the various legal letters for the DoD as a whole.

★ 020403. Technically, the auditors shall submit copies of the interim and updated legal responses, along with the summaries of the information contained in those responses, by December 31 and March 10, respectively, to the OMB, Department of the Treasury, and the GAO. Rather than have the cognizant auditors submit these documents for each DoD reporting entity, the GAO has agreed to use the single summary of the various legal representation letters prepared for submission with the DoD-wide statements. The ODCFO shall make the required submission to the OMB, the Department of the Treasury, and the GAO.

★ FORMAT FOR SUMMARIZING INFORMATION CONTAINED IN LEGAL RESPONSES FOR FINANCIAL REPORTING PURPOSES

[Reporting entity] [DATE]								
1	2	3	4	5			6	7
Reference Key	Amount Claimed	Name of Case/ Related Cases	Likelihood of Loss	Amount or range of potential loss			Disposition in Financial Statements	
				(a) P	(b) R/P	(c) Upper	Amount Recorded	Note Disclosure
	\$			\$	\$	\$	\$	
¹ As required by paragraph 8.b. of OMB Bulletin No. 99-__, the CFO shall prepare and the auditor shall review a summary of the information contained in the legal counsel's response using this format. An electronic version of this form is available in Microsoft Excel at http://www.whitehouse.gov/OMB/ (under "Bulletins") at OMB's website on the Internet.								

Figure 2-1

★ 020404. Instructions for Legal Responses for Financial Reporting Purposes Summary by Column

Column 1, Reference Key: Page number of the legal representation letter obtained from the cognizant GC discussing the case, or other reference information.

Column 2, Amount Claimed: Include the amount claimed in the litigation, claim, or assessment (if specified).

Column 3, Name of Case/Related Cases: Identify the case or related cases.

Column 4, Likelihood of Loss: List the General Counsel's evaluation of the likelihood of loss:

Options:	P:	Probable
	R/P:	Reasonably Possible
	R:	Remote

Column 5, Amount or Range of Potential Loss:

Options:	5a:	Probable (P): Provide single estimate or lower end of range, if known. Enter "U," if unknown. (Also, provide column totals.)
	5b:	Reasonably Possible (R/P) Provide single estimate or lower end of range, if known. Enter "U," if unknown. (Also, provide column.)
	5c:	If the estimate in 5a or 5b is a range, provide upper end of range; otherwise, enter "n/a."

Column 6, Disposition in Financial Statements: Amount Recorded: If applicable, provide dollar amount recorded as a liability in the financial statements. (Also, provide column totals.)

Column 7, Disposition in Financial Statements: Note Disclosure: If applicable, indicate by note reference number whether case information is separately disclosed or included in amounts disclosed in notes to the financial statements.

0205 GENERAL PREPARATION INSTRUCTIONS

020501. The principal statements and notes embody the financial accounting concepts and recognition and measurement requirements contained in the Statements of Federal Financial Accounting Concepts (SFFACs) and Statements of Federal Financial Accounting Standards (SFFASs) recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Secretary of the Treasury, the Director of the OMB, and the Comptroller General. The SFFACs and SFFASs have been, or will be, incorporated into the accounting policy and guidance contained in the “DoDFMR.” Preparers of financial statements seeking detailed guidance on matters involving the recognition and measurement requirements for transactions and information covered by the SFFASs should refer to the “DoDFMR.” If sufficient guidance is not found in this Regulation, preparers shall follow the hierarchy of accounting principles and standards contained in Volume 1, Chapter 8 of this Regulation.

020502. Preparers of financial statements and notes shall crosswalk their unique general ledger accounts to the U.S. Government Standard General Ledger (SGL) chart of accounts and at a further lower level of detail to include Treasury Department’s Financial Management Service, Federal Agencies’ Centralized Trial-Balance System (FACTS) attributes. The SGL, with FACTS attributes, shall be used to prepare annual financial statements. Preparers of financial statements must provide the following computer files with each version of financial statements and notes: financial statements, notes, the trial balance used to prepare the statements, and the eliminations worksheets (as required in Chapter 13 of this volume). The computer files shall be submitted via e-mail to the DFAS-Headquarters Accounting Directorate and that office shall provide to the Accounting Policy Directorate, ODCFO (ODCFO(AP)) the same computer files and information for each version of the financial statements.

020503. The OMB has waived for FY 2000 the requirement for comparative financial statements (Technical Amendments to OMB Bulletin 97-01, “Form and Content of Agency Financial Statements,” dated September 11, 2000). In addition, the OMB states comparative statements are permitted, but not required. Therefore, the DoD reporting entities, with the exception of the Military Retirement Fund are not required to present comparative statements for FY 2000. DoD reporting entities may prepare comparative statements if they choose. However, the Military Retirement Fund must prepare comparative statements for FY 2000. Prior year data, when reported, must be consistent with the amounts reported on the financial statements of the prior year. In addition, significant variances in the values reported from one year to the next on a report line should be explained in the footnotes. Significant variances are those that exceed the auditor defined materiality level and are at least a 10 percent variance in line item from one year to the next.

020504. User judgment shall be exercised to determine if it is appropriate to exclude from the published statements some statement line items, footnotes, and lines or columns in footnotes that do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines may not be

excluded prior to the submission of the final published version. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

020505. Do not designate in footnotes as “other” any discrete balances of a material amount. Material balances separately should be reported and designated by name. Material is defined for this purpose as any component of a line item that represents more than 10 percent of the value of the line in the principal statements.

020506. The footnote numbering sequence contained in Chapter 10 of this volume shall be maintained in order to ensure consistent and accurate aggregation to the DoD agency level. If a note is not applicable for the reporting entity, so state after the note number and title. If additional footnotes are necessary to provide required disclosures, number them sequentially as explained in Chapter 10 of this volume.

020507. The accounting policies and procedures shall be applied consistently throughout the financial statements. As a result, the amounts reported throughout the financial statements, footnotes and supplemental information consistently shall be reported. Ensure that schedules presented in the footnotes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the body of the financial statements. Financial information reported in multiple footnotes or other sections shall be reported in a consistent manner.

★ 020508. The principal statements provided for the DoD reporting entities shall be prepared as consolidated/consolidating statements net of intraentity transactions except as noted below. The OMB, however, has deferred the requirement for consolidated/consolidating statements for the Statement of Budgetary Resources and the Statement of Financing. For FY 2000, the Department shall prepare combined/combining statements for the Statement of Budgetary Resources and a combined Statement of Financing. Therefore, these statements shall not be net of intraentity transactions.

★ 020509. The DoD Agency-wide published statements shall display dollars rounded to millions with one decimal point. All Component statements shall display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables contained in the notes to the principal statements. To avoid excessive workload associated with the resolution of rounding errors, accounting activities shall report amounts as dollars and cents on all versions of the principal statements and notes prior to submission by the reporting entity of the final annual financial statements to the ODCFO(AP).

020510. Reporting entities that choose to present additional financial statements or information shall include these in the Other Accompanying Information section.

020511. The financial statements of the reporting entities identified in section 0106, above, shall be organized as displayed in Chapter 1, Table 1-1 of this volume.

020512. Reporting entity managers are responsible for the preparation and printing of the final complete version of their financial statements (see paragraph 010601 for audited financial statements required by the OMB). Fifteen bound copies of the printed financial statements and one set of portable document format (pdf) files shall be submitted to the Office of the Under Secretary of Defense (Comptroller), Office of Deputy Chief Financial Officer, Directorate for Accounting Policy, 1100 Defense Pentagon, Room 3A882, Washington, DC 20301-1100, no later than February 23, 2001.

★ 020513. The Department's financial statements will be posted electronically to the USD(C) web site. Reporting entity managers will provide the ODCFO(AP) with files of their financial statements for posting to the USD(C) web site by February 23, 2001. The files will be in the portable document format (pdf). If the reporting entity includes a large number of digital images the pdf can be very slow for users to access on the Internet web site. In those cases it is beneficial to prepare separate files for each section of the financial report.

★ 020514. The DFAS, the OUSD(AT&L), and the OUSD(C) have responsibility for various sections of the DoD Agency-wide financial statements.

★ A. The DFAS is responsible for preparing the principal statements, the notes to the principal statements, the Required Supplemental Information section (except for the deferred maintenance information), the Supporting Consolidating/Combining Statements, and the Other Accompanying Information section of the DoD Agency-wide financial statements. In addition, the DFAS shall ensure that the Federal Agencies' Centralized Trial-balance System submissions are transmitted to the Department of the Treasury, Financial Management Service (Treasury FMS), that Treasury FMS also receives the DoD Agency-wide RSSI section for use in the governmentwide audited financial statements.

★ B. The OUSD(AT&L) is responsible for compiling the complete Required Supplemental Stewardship Information section and the deferred maintenance information for the RSI section of the Department's Agency-wide financial statement. In addition, the OUSD(AT&L) is responsible for providing camera ready files of those sections to the DFAS for inclusion in the working versions, for transmission to Treasury FMS and for the published version of the Agency-wide financial statements.

★ C. The OUSD(C) is responsible for preparing the Overview section of the Agency-wide financial statements. In addition the OUSD(C) is responsible for assembly, publication and submission of the DoD Agency-wide financial statements to the OMB.